

Widening job deficit

Why in news?

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- The Confederation of Indian Industry on 09th June released a study of India's employment requirements in the coming years.

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- The study pointed out that the jobs deficit is greater than is generally understood.

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What is the background of the issue?

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- Not only are 10-12 million young people joining the labour force every year, but millions more are seeking to leave the increasingly unprofitable and precarious existence provided by the agricultural sector.

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- The report estimated that 17-20 million jobs needed to be created annually much higher than the rate at which jobs grew until 2012.

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- The government's own figures say that just 135,000 jobs were created in the frontline sectors of textiles, leather, metals, automobiles, gems and jewellery, transport, information technology, and handlooms in 2015.

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- It is clear that the government is failing on the jobs front.

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- It was recently reported that the Skill India mission will no longer set itself targets on how many young people it has imparted skills to it had set an ambitious target of 500 million by 2022, which is unlikely to be achieved.

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What are the reforms taken by the government?

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- Providing skills to India's relatively unskilled workforce is an important component in moving them up the value chain and making them eligible for formal employment

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- The government at few instances admitted itself that it was "impossible" to provide employment through jobs to a country of 1.25 billion people, and that instead the government has "tried to create self-employment opportunities for 80 million people".

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- the MUDRA (Micro Units Development Refinance Agency) scheme, which provides collateral-free loans of up to Rs 10 lakh to small borrowers to start small businesses or otherwise hedge uncertainties in the agricultural sector.

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- About 40 million MUDRA loans were taken out in the recently concluded financial year.

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- There are about 80 million such loans overall, Some of course are repeat borrowers turning over loans or topping them up.

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- Others may be the product of rebranding microfinance loans and microcredit from banks may have been redesignated MUDRA loans.

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What is the way forward?

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- The amount of additional lending under the MUDRA scheme is not clear in any case.

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- Schemes that promote self-employment in this manner can simply not be scaled up to the level needed in India at this time of demographic transition.

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- There is no substitute for mass employment and thus for manufacturing.

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- While the government must certainly promote self-employment, it must recognise that an economy dominated by such small and micro enterprises will not provide the stability and prosperity for 17-20 million additional people a year that is needed.

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- It must re-focus its energies on fundamental structural reform that will aid the creation of an export-oriented manufacturing sector, and thus jobs.

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Source: Business Standard

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